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DIFFICULTIES OF PRIVATELY OPERATED INDUSTRIAL
AND COMMERCIAL ENTERPRISES IN CHINA DURING 1950

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Difficulties

During March 1950, various difficulties began to appear in privately operated industrial and commercial enterprises throughout China. These difficulties were more serious in private enterprises in large cities than in the smaller cities and in the rural areas. Raw materials were not available for purchase, capital was not circulating properly, and goods were not being sold despite price drops. As a result, enterprises produced less, many firms were forced into bankruptcy, and unemployment was rampant.

An analysis of the difficulties revealed that they were caused by: (1) temporary maladjustments following the complete take over of the mainland by the Communist government, inefficient and corrupt management in many enterprises, high production costs, and blind competition among private enterprises for illicit profit; and (2) more serious problems which were the result of the corruption and incompetence of the Kuomintang regime over a long period of time, foreign trade problems, and the crippling of China's electric power by the bombing and blockading of China's coastal areas by Chiang Kai-shek.

Overcoming the Difficulties

To overcome the difficulties the following conditions must prevail: (1) Private enterprises and government agencies must have a proper realization of the causes and the nature of the problems facing private enterprises. (2) The government must aid private enterprises in every possible way. (3) Private enterprises must not be entirely dependent on the government but must put forth maximum effort to rehabilitate themselves.

The government has already aided private industries by loaning a great deal of money, placing orders for goods, and fixing prices as well as taxes on many commodities. The following example shows the government's attempt to aid private enterprise. Two-thirds of the cost of setting up and operating a Shanghai weaving and dyeing plant were borne by the government.

On the whole, the growth of industrial and commercial problems has been curbed by the cooperation of private industry and the government agencies. As a result of the joint efforts of private enterprises and the government the following improvements in conditions can be noted: (1) interest rates are decreasing (2) normal buying power is being restored gradually and (3) prices are becoming stabilized.

However, difficulties facing private industry are extremely complex and can be overcome only after a long period of time.

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